

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Real Estate – Activity Status Report

ITEM NUMBER: 15

ATTACHMENT(S): 2

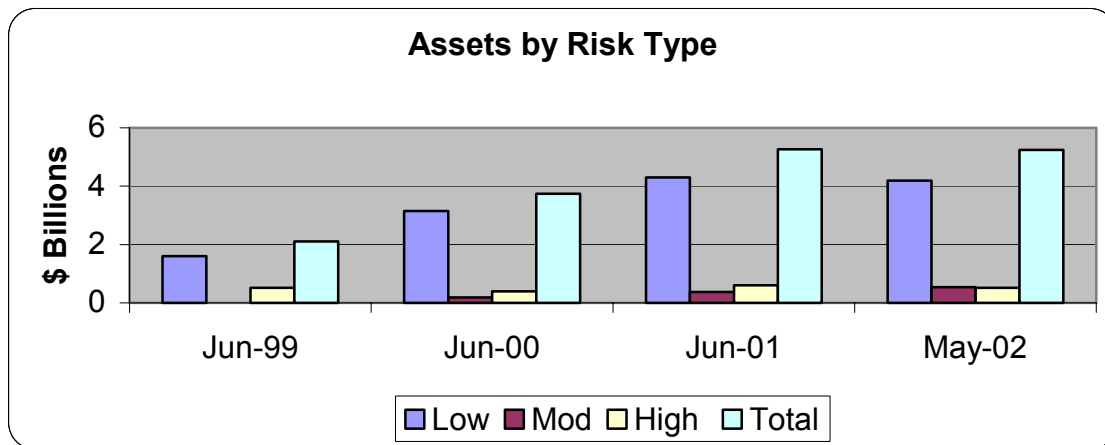
ACTION: _____

DATE OF MEETING: July 10, 2002

INFORMATION: X

PRESENTER(S): Mike DiRé and Hank Thomas

In accordance with the Investment Management Plan, CalSTRS has established an allocation for investment real estate to 7% of the total assets. The primary role of investment real estate is to improve diversification of the overall investment portfolio. Secondary objectives are to generate an enhanced yield to the actuarial plan rate assumption, and to provide stable cash flows. The real estate portfolio will incorporate a combination of low, moderate, and high risk real estate investment strategies to implement the approved plan.



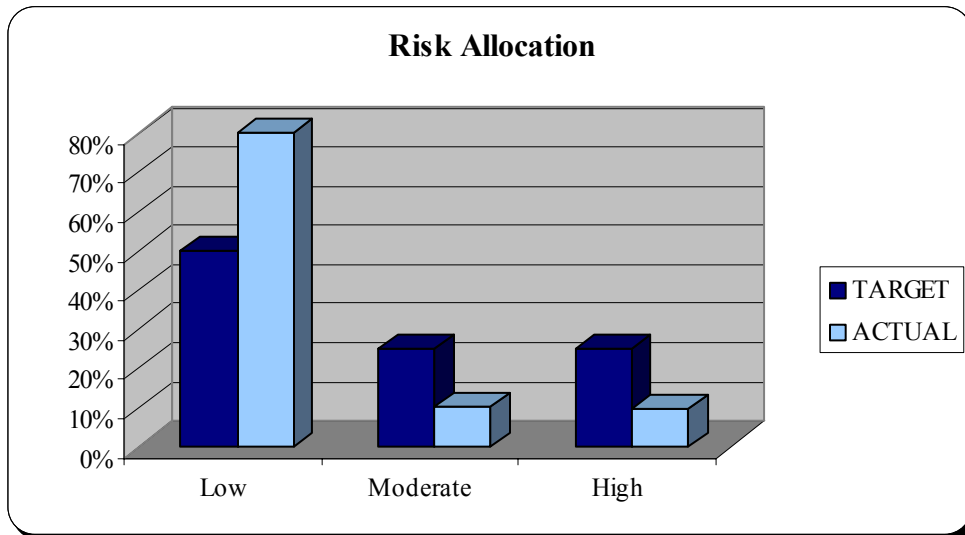
The table and charts below show the growth of the overall real estate portfolio over the past four years.

Growth of Real Estate Portfolio

	Jun-99	Jun-00	Jun-01	May-02
Low	\$1,597	\$3,152	\$4,300	\$4,190
Mod	\$0	\$189	\$368	\$541
High	\$511	\$399	\$602	\$511
Total	\$2,108	\$3,740	\$5,270	\$5,242

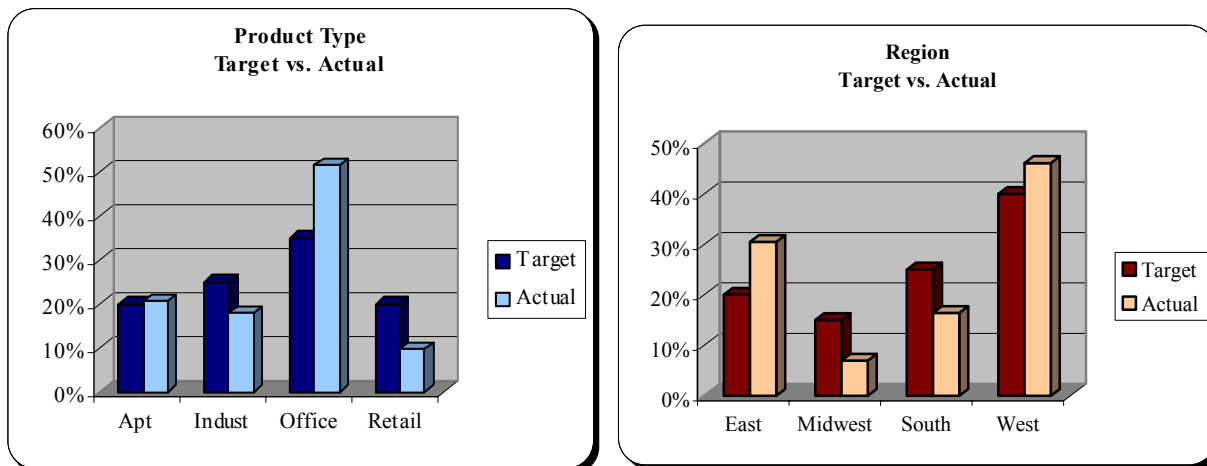
Graph shown in billions, table shown in millions

Targeted Risk Allocation Versus Actuals



The Low Risk portfolio is managed subject to diversification guidelines by product type and by regional area in the United States. The target allocation and the portfolio holdings as of May 31, 2002 are shown below.

Low Risk Portfolio - Target vs. Actual



Attachment 1 contains a summary of high risk opportunity fund commitments and capital accounts since inception. Attachment 2 identifies specific transactions closed during the prior month and joint venture partnership activity to date.

**CalSTRS REAL ESTATE OPPORTUNITY FUND ACTIVITY STATUS REPORT
COMMITMENTS AND CAPITAL SUMMARY**

As of May 31, 2002

Opportunity Fund		Date Fund Closed	Fund Size	STRS Commitment	Amount Funded by STRS	Unfunded Commitment	Since Inception	
							Returned Capital	Income Received
Colony II		Apr-95	\$625,000,000	\$150,000,000	\$145,829,147	\$0	\$81,461,126	\$51,576,270
M.Stanley II	(1)	Nov-95	1,051,000,000	200,000,000	253,928,985	0	176,999,085	172,468,688
Lazard Freres		May-96	645,000,000	150,000,000	150,000,000	0	55,437,571	40,349,901
Lazard Freres - Co-Investmen		May-96						
AAC/UDR	(2)		26,984,444	26,984,444	26,984,444	0	26,984,444	23,511,286
Dermody	(3)		19,841,270	19,841,270	19,841,270	0	0	8,619,485
William E. Simon & Sons		Jan-01	306,650,000	76,662,500	63,538,678	13,123,822	1,383,232	241,768
William E. Simon - Co-Investmen								
SKS	(4)	Jan-01	57,223,810	40,056,667	38,242,069	1,814,598	3,237,911	1,248,371
CIM Urban Real Estate Fund		Mar-01	178,947,369	45,000,000	2,444,490	42,555,511	1,541,976	0
Soros Real Estate Investor		Jul-01	1,000,000,000	75,000,000	27,096,913	47,903,087	0	0
M.Stanley IV		Dec-01	2,250,000,000	200,000,000	41,999,170	158,000,830	0	1,891,780
Lone Star IV		Dec-01	2,278,787,879	200,000,000	5,423,553	194,576,447	148,645	0
TOTALS				\$1,183,544,881	\$775,328,718	\$457,974,295	\$347,193,990	\$299,907,549

- (1) "Amount Funded by CalSTRS" amount includes reinvestment proceeds, per Partnership Agreement.
(2) CalSTRS co-investment is in American Apartment Communities/United Dominion Realty Trust, Inc.
(3) CalSTRS co-investment is in DP Operating Partnership Limited (Dermody).
(4) CalSTRS co-investment is in SKS, an office development platform in San Francisco.

CalSTRS REAL ESTATE DIRECT ACQUISITIONS and DISPOSITIONS

May 31, 2002

ACQUISITIONS

<u>Property</u>	<u>ADVISOR</u>	<u>TYPE</u>	<u>ACQUISITION DATE</u>	<u>RISK</u>	<u>LOCATION</u>	<u>AMOUNT</u>	<u>DISPOSITION SALE DATE</u>	<u>IRR *</u>
Marbrisas Apartments	SSR Realty Advisors	Apartment	May 9, 2002	Moderate	Chula Vista, CA	\$ 69,000,000		13.2%
Eleven Penn Center	Thomas Properties Group	Office	May 14, 2002	Moderate	Philadelphia, PA	\$ 83,000,000		11.5%
Total Acquisitions						\$ 83,000,000		

DISPOSITIONS

1120 19th Street N.W.	Lend Lease Realty	Office	January-88	Low	Washington, D.C.	\$ 23,925,000	May 8, 2002	3.1%
1990 M Street	Lend Lease Realty	Office	January-88	Low	Washington, D.C.	\$ 24,200,000	May 8, 2002	4.2%
San Paloma Apartments	SSR Realty Advisors	Apartment	September-94	Low	Scottsdale, AZ	\$ 29,500,000	May 15, 2002	8.7%
Total Dispositions						\$ 77,625,000		

*Acquisitions - IRR represents projected after fee Dispositions - IRR represents since inception, after fee to CalSTRS

CalSTRS REAL ESTATE JOINT VENTURE PARTNERSHIPS

May 31, 2002

<u>Partnership</u>	<u>Fiduciary</u>	<u>Initial Funding Date</u>	<u>Type</u>	<u>Risk</u>	<u>Location</u>	<u>Commitment</u>	<u>Since Inception Amount Funded</u>	<u>Unfunded Commitment</u>
SF Waterfront Partners, LLC	The McMahan Group	October 24, 2001	Office/Mixed	High	San Francisco (Urban)	\$ 12,700,000	\$ 1,886,269	\$ 10,813,731
Total JV Partnerships						\$ 12,700,000	\$ 1,886,269	\$ 10,813,731